

FISCAL NOTE

Bill #: SB0332

Title: Tax soda pop to fund senior services and scholarships

Primary Sponsor: Ryan, D

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$44,875	\$36,375
State Special Revenue	\$14,799,799	\$14,862,609
Federal Special Revenue	\$17,864,352	\$17,405,944
Revenue:		
General Fund	\$44,875	\$36,375
State Special Revenue - DPHHS	\$14,799,799	\$14,862,609
State Special Revenue - MUS	\$7,399,899	\$7,431,305
Federal Special Revenue	\$17,864,352	\$17,405,944
Other – trust fund	\$7,399,899	\$7,431,305
Net Impact on General Fund Balance:	\$0	\$0

<input type="checkbox"/> Significant Local Gov. Impact	<input checked="" type="checkbox"/> Technical Concerns
<input type="checkbox"/> Included in the Executive Budget	<input type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Dedicated Revenue Form Attached	<input checked="" type="checkbox"/> Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue (DOR)

1. Beginning July 1, 2005, this bill would impose a tax of \$0.05 on each “unit” of soft drinks sold in a container or dispensed through a soft drink fountain. The tax would be imposed on bottlers or importers of soft drinks.
2. A soft drink is defined as a nonalcoholic beverage that contains natural or artificial sweeteners but does not contain milk, soy, rice or similar substitutes, and is not more than 50% vegetable or fruit juice by volume.
3. A unit of soft drink is defined as a container holding 12 fluid ounces or less, each 12 fluid ounces in a container holding more than 12 ounces, or concentrate equivalent to prepare a 12 fluid ounce soft drink.

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4. According to a March 2004 Beverage Marketing Corporation study, average per capita carbonated soft drink consumption nationally was 53.8 gallons in 2003 or 18.87 ounces a day.
5. Projections from Global Insight estimate Montana's population to be 927,900 in FY 2006, and 931,566 in FY 2007.
6. Carbonated soft drink consumption FY 2006 = 49,921,020 gallons (53.8 gallons X 927,900).
7. Carbonated soft drink consumption FY 2007 = 50,118,251 gallons (53.8 gallons X 931,566).
8. Carbonated soft drink collections FY 2006 = \$26,624,544 (49,921,020 gallons X 128 ounces per gallon / 12 ounces X \$0.05).
9. Carbonated soft drink collections FY 2007 = \$26,729,734 (50,118,251 gallons X 128 ounces per gallon / 12 ounces X \$0.05).
10. This legislation would also tax other non-carbonated sweetened drinks. A study published in the October 2004 issue of the American Journal of Preventive Health, indicates the U.S. average for sweetened beverage consumption, across all age groups, is 21 ounces daily. The research includes consumption of both carbonated and non-carbonated soft drinks and other sweetened fruit drinks (excluding juice). Subtracting average daily soft drink consumption of 18.86 ounces (Assumption #4), results in an estimated average daily consumption of 2.14 ounces of sweetened fruit drinks daily.
11. Non-carbonated sweetened drink consumption FY 2006 = 5,662,365 gallons (2.14 ounces / 128 ounces per gallon X 365 days X 927,900).
12. Non-carbonated sweetened drink consumption FY 2007 = 5,684,736 gallons (2.14 ounces / 128 ounces per gallon X 365 days X 931,566).
13. Non-carbonated sweetened drink collections FY 2006 = \$3,019,928 (5,662,365 gallons X 128 ounces per gallon / 12 ounces X \$0.05).
14. Non-carbonated sweetened drink collections FY 2007 = \$3,031,859 (5,684,736 gallons X 128 ounces per gallon / 12 ounces X \$0.05).
15. Combined collections FY 2006 = \$29,644,472 (\$26,624,544 + \$3,019,928).
16. Combined collections FY 2007 = \$29,761,593 (\$26,729,734 + \$3,031,859).
17. It is assumed funds necessary for the administration of the tax are general fund and an equivalent amount of the pop tax is deposited to the general fund.
18. The Department of Revenue estimates an additional 0.75 FTE is necessary to administer this tax. Total administrative expenditures as provided below are estimated as \$44,875 for FY 2006 and \$36,375 for FY 2007.
19. Section 6 provides that the cost of administration and any refunds associated with this tax may be subtracted from the total soft drink taxes collected. The amount of refunds associated with this tax is not known. Table 1 provides the estimated amount for distribution after subtracting Department of Revenue administrative costs.

Table 1		
SB 332 - Net Soda Pop Tax Collections		
	FY 2006	FY 2007
Total Soft Drink Tax Revenue	\$29,644,472	\$29,761,593
Less DOR Administrative Cost	(\$44,875)	(\$36,375)
Total Amount for Disbursement	\$29,599,597	\$29,725,218

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20. Of the amount available for disbursement, 50% would be directed to a state special revenue account for the Department of Health and Human Services Social Services and Rehabilitation (DPHHS), 25% to a state special revenue account for the Montana University System Board of Regents, and 25% to a new trust fund account to provide health care to older Americans. Table 2 shows amounts distributed.

Table 2		
Distribution of Net Tax Collections		
	FY 2006	FY 2007
Dept. Health and Human Services SSRA	\$14,799,799	\$14,862,609
MT Board of Regents	\$7,399,899	\$7,431,305
Older American Trust Fund	\$7,399,899	\$7,431,305
Total Disbursement	\$29,599,597	\$29,725,218

Department of Public Health and Human Services (DPHHS)

21. For purposes of this bill it is assumed that 50 percent of the revenue available to DPHHS will be for Medicaid services and 50 percent will be used for Area Agency on Aging Program (AAA) expansions.
22. FY 2006 funds applied to Medicaid programs = \$7,399,899 ($\$14,799,799 \times 0.5$).
23. FY 2007 funds applied to Medicaid programs = \$7,431,305 ($\$14,862,609 \times 0.5$).
24. FY 2006 funds applied to Area Agencies on Aging = \$7,399,899 ($\$14,799,799 \times 0.5$).
25. FY 2007 funds applied to Area Agencies on Aging = \$7,431,305 ($\$14,862,609 \times 0.5$).
26. Proposed additions to Medicaid services for low income elderly include:
- a. Quantity:
 - i. Address home and community services waiting lists
 - ii. Increase hours relate to personal assistance and self directed service programs
 - iii. Expansion of respite care programs, and other in home services
 - b. Quality:
 - i. Increase rates for senior service providers
 - ii. Provide for direct care wage initiatives to lowest paid workers in senior programs
 - iii. Targeted health insurance benefits to low wagedworkers
27. The proposed addition to Medicaid services will provide matching federal Medicaid funds. The federal Medical Assistance Participation (FMAP) rate is 70.71 for FY 2006 and 70.08 for FY 2007.
28. FY 2006 matching federal funds = \$17,864,352 ($\$7,399,899 / 0.2929 \times 0.7071$).
29. FY 2007 matching federal funds = \$17,405,944 ($\$7,431,305 / 0.2992 \times 0.7008$).
30. Monies distributed to Area Agency on Aging Program will be used to expand services including:
- a. Home delivered/congregate meals programs to expand service area for home delivered meals and/or offer five day a week meal sites
 - b. Expansion of respite care services
 - c. Direct care wage initiatives
 - d. Ombudsman program services
 - e. Develop/enhance public and non-profit guardianship programs
 - f. Elder abuse prevention activities
 - g. Transportation services
 - h. Support senior centers and provide funding to update infrastructure

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Montana University System (MUS)

31. There were 35,705 FTE students in the MUS and community colleges in FY 2004. Of these students, 29,314 were Montana resident students.
32. Distribution by of the funds between campuses would occur based on the number of all student FTE on the campus. Campuses would distribute scholarships in accordance with policy to be established by the Board of Regents.

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Department of Revenue (DOR)		
FTE	0.75	0.75
<u>Expenditures:</u>		
Personal Services	\$26,553	\$26,553
Operating Expenses	\$12,522	\$9,822
Equipment	<u>\$5,800</u>	<u>\$0</u>
TOTAL	\$44,875	\$36,375
<u>Funding of Expenditures:</u>		
General Fund (01)	\$44,875	\$36,375
<u>Revenues:</u>		
General Fund (01)	\$44,875	\$36,375
State Special Revenue (02) DPHHS	\$14,799,799	\$14,862,609
State Special Revenue (02) MUS	\$7,399,899	\$7,431,305
Older American Trust Fund (09)	<u>\$7,399,899</u>	<u>\$7,431,305</u>
TOTAL	\$29,644,472	\$29,761,594

Department of Public Health and Human Services (DPHHS)

<u>Expenditures:</u>		
Benefits	\$32,664,151	\$32,268,553
<u>Funding of Expenditures:</u>		
State Special Revenue (02) DPHHS	\$14,799,799	\$14,862,609
Federal Special Revenue (03) DPHHS	<u>\$17,864,352</u>	<u>\$17,405,944</u>
TOTAL	\$32,664,151	\$32,268,553
<u>Revenues:</u>		
Federal Special Revenue (03) DPHHS	\$17,864,352	\$17,405,944

Montana University System

<u>Expenditures:</u>		
Scholarships	\$7,399,899	\$7,431,305
<u>Funding of Expenditures:</u>		
State Special Revenue (02) MUS	\$7,399,899	\$7,431,305

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Total of all Agencies

FTE	0.75	0.75
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Expenditures:

Personal Services	\$26,553	\$26,553
Operating Expenses	\$12,522	\$9,822
Equipment	\$5,800	\$0
Scholarships MUS	\$7,399,899	\$7,431,305
Benefits DPHHS	<u>\$32,664,151</u>	<u>\$32,268,553</u>
TOTAL	\$40,108,925	\$39,736,233

Funding of Expenditures:

General Fund (01)	\$44,875	\$36,375
State Special Revenue (02) DPHHS	\$14,799,799	\$14,862,609
State Special Revenue (02) MUS	\$7,399,899	\$7,431,305
Federal Special Revenue (03)	<u>\$17,864,352</u>	<u>\$17,405,944</u>
TOTAL	\$40,108,925	\$39,736,233

Revenues:

General Fund (01)	\$44,875	\$36,375
State Special Revenue (02) DPHHS	\$14,799,799	\$14,862,609
State Special Revenue (02) MUS	\$7,399,899	\$7,431,305
Federal Special Revenue (03) DPHHS	\$17,864,352	\$17,405,944
Older American Trust Fund (09)	<u>\$7,399,899</u>	<u>\$7,431,305</u>
TOTAL	\$47,508,824	\$47,167,538

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$0	\$0
State Special Revenue (02)	\$0	\$0
Federal Special Revenue (03)	\$0	\$0
Older American Trust Fund (09)	\$7,399,899	\$7,431,305

TECHNICAL NOTES:

1. The bill does not address what fund is used for administrative expenses.
2. The definition of bottler would include anyone who makes soft drinks including those who do so for home consumption. This fiscal note assumes that the bill intent is to tax soft drinks intended for retail sale.
3. The bill does not provide instructions as to whether the supplier of concentrate/syrup used in fountain drinks is responsible for filing a return and remitting taxes or the retailer who manufacturers the drink by mixing it with carbonated water is responsible.
4. The bill does not include a vendor allowance to cover compliance costs.
5. The proposed soft drink tax would be easier for the Department of Revenue to administer if the tax was applied on the shipping of the pop to the retailer. Multiple state inventories may exist in the warehouses of Montana, which could require importers and bottlers to file on all product received during one quarter, then request a credit for soft drinks shipped out of state on the next quarterly return.
6. A definition is needed for the term "baby-boom" in Section 7.
7. The bill may require more detail with respect to administration and allocation.
8. Montana University System foundations are not a state agencies. It would be unusual for the foundations to receive state funding.